Independent Auditor's Report

to the members of New Silkroutes Group Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of New Silkroutes Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

Prepayments to a supplier

Included in prepayments stated on the face of the consolidated statement of financial position as at 30 June 2017 are prepayments of US$500,494 and US$4,400,000 made by the subsidiaries, Top Post Enterprises Limited and Baling (China) Investment Limited, respectively, to a supplier for the purchase of iron ore fines (Note 10). We were unable to obtain sufficient appropriate audit evidence on the recoverability or utilisation of the prepayments to the supplier. Consequently, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of the prepayments to the supplier as at 30 June 2017.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Our responses and work performed
Business combinations	
FRS 103 *Business Combinations* requires the Group to recognise the identified assets and liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair value of recognised assets and liabilities as goodwill. Significant judgement is applied in the identification of any intangible assets acquired and contingent liabilities assumed in the transactions. Significant assumptions and estimates are also used in the determination of the fair values of the identified assets acquired and liabilities assumed in the transactions. Management has engaged an independent valuer ("management's expert") to issue a valuation report on the fair values of the identified assets and liabilities at the respective acquisition dates. The purchase price allocation ("PPA") exercises were completed and intangible assets, including goodwill, amounting to US$4,879,623 at the acquisition dates were recognised (Note 4).	We have evaluated the competence, capabilities and objectivity of the management's expert, obtained an understanding of the work of the expert, and evaluated the appropriateness of the expert's work as audit evidence for the relevant assertions. We have further engaged our valuation expert ("auditor's expert") to review the PPA reports and the reasonableness of the underlying key assumptions. We have evaluated the competence, capabilities and objectivity of the auditor's expert, and the adequacy of the work performed by the auditor's expert. Based on our procedures, we noted that the PPA exercises have been performed in accordance with FRS 103. We also noted management's key assumptions applied in the PPA exercises in arriving at the fair values of the assets acquired and liabilities assumed to be within a reasonable range of our expectations. With respect to our work on the subsequent impairment testing of the resultant goodwill and intangible assets, we refer to key audit matter "Impairment of goodwill and intangible assets". We have also assessed and corroborated the adequacy and appropriateness of the disclosures made in the financial statements. The Group's disclosures of the business combination accounting applied to the acquisition of the subsidiaries during the financial year are included in Note 5 to the financial statements.

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Key Audit Matters (Cont'd)

Key audit matter	Our responses and work performed
Impairment of goodwill and intangible assets	
Under FRS 36 Impairment of Assets, a cash-generating unit ("CGU") to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the CGU, including the goodwill, with the recoverable amount of the CGU. Goodwill and intangible assets are significant accounts in the consolidated statement of financial position, and significant judgement, assumptions and estimates are applied by management in the impairment testing of the associated CGU. Value in use involves cash flow projections and applying the growth rate and discount rate in the cash flow projections, while fair value less costs of disposal is the price that would be received in an orderly transaction between market participants at the measurement date, less the incremental costs directly attributable to the disposal of the CGU. Input inaccuracies or inappropriate bases used to determine the level of impairment, including the discount rate and growth rate used in the value in use computations, and the market comparables used in the fair value measurements, could result in material misstatement in the financial statements. Management has engaged an independent valuer ("management's expert") to perform the impairment test as described above.	We have assessed the key assumptions used by management and the management's expert in performing the impairment test, including reference to recent transactions and market comparables. We have evaluated the competence, capabilities and objectivity of the management's expert, obtained an understanding of the work of the expert, and evaluated the appropriateness of the expert's work as audit evidence for the relevant assertions. In addition, we have engaged our valuation expert ("auditor's expert") to assist us in evaluating the assumptions, methodologies and data used in the impairment test. The auditor's expert independently developed expectations of the assumptions used in the impairment test, including the discount rate and growth rate. We have evaluated the competence, capabilities and objectivity of the auditor's expert, and the adequacy of the work performed by the auditor's expert. We have also performed sensitivity test to determine the available headroom of the CGU, where a reasonably possible change in assumptions could cause the recoverable amount to be less than the carrying amount. Based on our procedures, we noted the key assumptions used by management and the management's expert to be within a reasonable range of our expectations. We have also assessed and corroborated the adequacy and appropriateness of the disclosures made by management in the financial statements. The disclosures on goodwill and intangible assets and the impairment testing of the CGU are included in Note 4 to the financial statements.

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Key Audit Matters (Cont'd)

Key audit matter	Our responses and work performed
Consideration receivable	
Included in trade and other receivables as at 30 June 2017 is an outstanding amount of US$3,475,747 arising from the disposal of the Company's wholly-owned subsidiaries, Digiland (Thailand) Ltd. and Infonet Systems and Services Pte Ltd on 30 June 2016 (Note 9). The outstanding amount was due on 30 June 2017. The Company has made a legal claim against various defendants to seek payment of the outstanding amount, as well as additional damage, interest and legal costs. There is an inherent uncertainty relating to the probability of success of the claim and recoverability of the claimed sum from the defendants. The external legal counsel appointed by the Company has indicated that it is at present reasonably confident of success in the Company's claim. In addition, at present, there is no reason to believe that the Company would be unable to recover the outstanding amount if the Company prevails in its claim. Based on management's assessment, management is reasonably confident of recovering the entire outstanding amount from the defendants.	We have read the correspondences provided by management pertaining to the legal claim. We have discussed with the external legal counsel to understand the nature and details of the legal claim, the progress and developments of the claim to date, and the likelihood of a favourable outcome and an estimate of the amount recoverable. We have also received confirmation from the external legal counsel with regard to the aforesaid, and obtained indication from the external legal counsel that it is at present reasonably confident of success in the Company's claim, and there is no reason to believe that the Company would be unable to recover the outstanding amount if the Company prevails in its claim. In addition, we have sighted the searches performed by the external legal counsel on the two individuals who have been made defendants to the suit, which show that each holds directorships and shares in various private companies, and one of whom holds a joint tenancy in a landed property in Singapore. We noted that management has considered relevant factors in its assessment of impairment loss on the outstanding amount.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the prepayments to a supplier as at 30 June 2017. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chin Sin Beng.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 10 October 2017